

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

17-81

Gentlemen:

Your application for exemption from Federal income tax as an organization described in section 501(c)(4) of the Internal Revenue Code has been considered.

The information submitted discloses that you were formed [REDACTED], for community betterment, social well being and government awareness. You are in the process of appointing chairpersons for your various committees. You intend to implement a crime watch and fire prevention program. You also will enforce deed restrictions. In the future you hope to have a scholarship fund. For fund raising you intend to have carnivals, plant sales, bake sales and raffles.

Members must live within the boundaries of the civic club. To vote, members must have membership dues and fees paid up to date.

After all liabilities have been taken care of, the remaining assets will be distributed equally among all dues paying members or a charity of your choice.

You plan to construct a club house and pool as you raise money to have this done. You also plan to have a snack bar. The club house, pool and snack bar will be for the exclusive use of your members.

Your Articles of Incorporation state that the purpose of this corporation is the following:

- "1. To insure that the beautification of our community will continue.
2. To make certain that Deed Restrictions are upheld.
3. To involve ourselves with all matters political or non-political that pertain to the welfare of this community.

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
		[REDACTED]					
SUR-NAME		[REDACTED]					

4. To promote wholesome social and recreational activities for the children and adults.
5. To encourage up-keep, appearance and improvement of our homes and property."

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"Civic Leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare..."

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that:

"An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements."

Revenue Ruling 74-99, 1974-1 Cumulative Bulletin 131, holds that in order for a homeowner's association to qualify for exemption under section 501(c)(4) of the Code, it must have the following characteristics:

1. The organization must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental;
2. It must not conduct activities directed to the exterior maintenance of private residences; and
3. The common areas or facilities must be for the use and enjoyment of the public, as distinguished from controlled use or access restricted to the members of the homeowners' association.

Revenue Ruling 74-99 states that "one misconception...is to equate a housing development with the term community within the meaning of section 501(c)(4) of the Code, thereby giving rise to the implication that any housing development may qualify as a community for exemption purposes regardless of any other attendant facts and circumstances in this case. A community within the meaning of section 501(c)(4) of the Code and Regulations is not simply an aggregation of homeowners bound together in a structured unit formed as an integral part of a plan for the development of a real estate subdivision and the sale and purchase of homes therein. Although an exact delineation of the boundaries of a "community" contemplated by section 501(c)(4) is not possible, the term as used in that section has traditionally been construed as having reference to a geographical unit bearing a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof.

Based on the information presented, we have concluded that you do not meet the requirements for exemption as a social welfare organization or civic league described in section 501(c)(4) of the Internal Revenue Code, or any other subsection of the Code. As indicated by your application and organizational documents, your main intent and purpose is to benefit your members rather than the general public.

Accordingly, it is held that you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(4) of the Code, and you are required to file income tax returns on Form 1120.

As a 'homeowners' association, you may qualify for treatment under section 528. In this letter we are not ruling the question of whether you qualify for treatment under section 528. You may elect such treatment for periods ending on or after March 15, 1982 by filing Form 1120-H.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

Sincerely,

  
District Director

Enclosures:  
Publication 892  
Publication 588  
Form 6018 (2)  
Pre-addressed envelope